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C O N F I D E N T I A L SECTION 01 OF 02 AMMAN 006760

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SUBJECT: JORDAN'S KING ABDULLAH VISITS ASIA SEEKING TRADE, AID, AND INVESTMENTS

REF: BEIJING 13093

11. (U) SUMMARY: King Abdullah's swing through Asia was aimed at diversifying the Kingdom's trade and investment partners and seeking bilateral assistance. The King succeeded in obtaining several grants and loans from China and South Korea; Jordan and Korea also signed a tax treaty. The King's stop in Hong Kong was to tap into Hong Kong's expertise in attracting foreign investment and its role as a trade entrepot. END SUMMARY.

ABDULLAH VISITS KOREA

12. (U) During his July 23-26 visit to South Korea, Jordan's King Abdullah met with South Korean President Roh Moo-hyan and with the Chairmen of Hyundai and Samsung Electronics to discuss investment opportunities. Jordan's Planning Minister Bassem Awadallah signed a grant agreement with Foreign Minister Ban Ki-moon where Jordan will receive USD five million to finance the computerization of Ministry of Political Development and Parliamentary Affairs operations, upgrade Ministry of Transport IT systems, refurbish several health centers, develop local knowledge centers under the King Abdullah Development Fund (these are rural centers for teaching computer skills), and support various training programs for government employees. The two governments also signed a loan agreement for USD 24 million with a ten-year grace period and 30-year repayment plan to finance environmental projects aimed at protecting artesian water resources in Jordan and to provide sewage services to southern Amman. In addition, the two sides signed a bilateral double taxation avoidance treaty.

CHINA: AID AND INVESTMENT

13. (U) In the course of his July 26-31 visit to China, King Abdullah met with President Hu Jintao and separately with Prime Minister Wen Jiabao. Minister Awadallah signed a grant agreement with Minister of Trade Bu Tshali under which Jordan will receive USD 7.2 million to support several projects under Jordan's Social Economic Transformation Program for the years 2004-2006. The two sides also signed a loan agreement for USD 24 million with a five-year grace period and 20-year repayment program to finance yet-to-be-agreed projects. According to press reports, during the visit, Planning Minister Awadallah pointed out that China already finances Jordan's Ma'an Industrial Estate (located in the south of the country), several water projects, and the Ain Al-Basha Hospital Project. He added that Jordan also welcomed further Chinese investments in Jordan, particular in Jordan's Qualifying Industrial Zones (QIZs).

14. (U) During talks with military officials, King Abdullah also expressed interest in diversifying Jordan's sources of military equipment and said that China could be a potential source (Reftel).

15. (U) The King visited Hong Kong and met Chief Executive Tung Chee-Hwa and with business leaders in order to learn from that city's experience in attracting foreign investment and in developing highly efficient transport and maritime sectors. The King was particularly interested in Hong Kong's efficient port operations and the lessons it could provide for Jordan's congested Aqaba port.

LITTLE GAINED IN THAILAND

16. (U) Stopping in Thailand on August 1, King Abdullah met with King Bhumibol Adulyadej but, according to press reports, no agreements were signed.

COMMENT

17. (C) In addition to watching his national soccer team compete in the Asian Cup, in his tour through Asia King Abdullah was in search of aid, trade and increasing Asian investment in Jordan. Planning Minister Awadallah told

Charge that Jordan is looking to the Chinese to establish industrial production facilities here, to manufacture possibly cars and cell phones. He admitted that Egypt, also seeking such Chinese investments, was a strong competitor with a more established industrial base. Royal Court Minister Samir Rifai told Charge the King is especially keen to develop IT technology deals between Jordan and China.

18. (C) Judging from the grants and soft loans the King picked up, the trip can be judged a modest success. However, economic and trade ties between Jordan and Asia remain minimal. In a current dispute with the USG over a Jordanian pre-inspection program which affects imports from the U.S., shoddy Asian products are routinely cited as the reason the program is needed to protect the safety of Jordanian consumers.

18. (C) In addition, the King's long stay in China reflects concern within Jordan about the expiration of the Multi-Fiber Arrangement at the end of this year and its impact on the 23,000 Jordanians working in the textile sector. QIZ managers throughout Jordan fear the end of the MFA will bring a flood of low-cost Chinese textiles on to the world market, undercutting Jordan's QIZ textile producers. Explanations of the production increase safeguards which China accepted as part of its WTO accession only partially soothe Jordanian nerves.

HALE